

PUBLIC EMPLOYEES' RETIREMENT BOARD
100 N Park, Rm 201
Helena MT 59620

Board Legislative Committee Minutes
Monday, August 6, 2012
3:00 pm

Chairman Terrence Smith called the PERB Legislative Committee conference call to order at 3:00 p.m. on Monday, August 6, 2012. Roll call was taken. Board members and staff present were:

Committee Members:
Terrence Smith, Chair
Bob Bugni, Member
Scott Moore, Member

Other Board Members:
Dianna Porter

Staff:
Melanie Symons, Chief Legal Counsel
Patricia Davis, Member Services Bureau Chief
Kate Talley, Attorney
Hollie Koehler, Internal Auditor
Flora Sebens, Executive Assistant
Staci Brower, Temporary Assistant

- I. Roll Call**
Roll call was taken. Chairman Terrence Smith, Member Scott Moore and Member Dianna Porter participated via telephone. Member Bob Bugni attended in person.
- II. Public/Member Comment** on any subject of interest to the Board not on the agenda.
No public comment.
- III. Executive Director Report** – background information and objective
- A. LFC/SAVA Joint Subcommittee Meeting on Pensions – July 26, 2012
Coal Tax – It was agreed that a recommendation would not be made to the Board until the Governor's Proposal had been reviewed first.
- Next meeting* – The Joint LFC/SAVA Subcommittee meeting scheduled for September 6th was rescheduled for November to allow the Actuary Valuations before making any decisions on legislative bills.
- B. SAVA Meeting – August 8-9, 2012
The agenda and meeting documents are posted for the public's review. There is a "Pre-session screening of non-agency pension proposals" scheduled at 1:30 p.m. Roxanne will be unable to attend this meeting. Ms. Symons will be representing MPERA instead.

A list of proposed bills was discussed. The Board gave Ms. Symons direction as follows:

- MT Sheriffs and Peace Officers Association – Proposing a bill to amend the SRS to be consistent with similar sections in the police, firefighters and highway patrol retirement systems. Their stance is that SRS members suffer a benefit reduction when they designate a spouse as beneficiary. Other law enforcement retirement systems do not have this benefit reduction. Pension reform in the 2013 Session is likely to include increased employer and employee contributions.

Motion: Chairman Terrence Smith moved to oppose the conceptual bill from the MT Sheriffs and Peace Officers Association as it is currently drafted.

Second: Member Scott Moore

Vote: 3/0

- Association of Montana Retired Public Employees (AMRPE) – Proposing a bill to require a portion of the expendable portion of coal severance tax collections be deposited to the retirement systems to fund liabilities. Their stance is that there is an underfunding issue and unfunded actuarial liabilities do not amortize.

Motion: Member Scott Moore moved to support the conceptual bill from AMRPE as it is currently drafted, stating plans need additional funding. PERB supported this bill last session.

Second: Chairman Terrence Smith

Vote: 3/0

- Montana Police Protective Association (MPPA) – Proposing a bill to change the definition of “compensation” to include all compensation. They do not believe it will require additional percentage increases for the employer, employee or for the state. All three will pay current percentages on additional income. Upon review of the report the committee determined that the bill may help the funding of the MPORS in the long-term, if potential short-term spiking is ignored.

Motion: Member Scott Moore moved to support the conceptual bill from MPPA as it is currently drafted. Significant discussion occurred regarding the actuary’s report.

Second: Member Bob Bugni

Vote: 3/0

- Association of Public-Safety Communications Officials (APCO) – Proposing a bill that the Public-Safety Dispatchers in Montana join the Sheriff Retirement System, which offers an early (reduced) retirement option at 20 years of service.

They wish to allow Public-Safety Dispatchers the ability to retire at 20 years under SRS. They propose both an increase in employer and employee contributions and predict a cost recovery to the organization through reduced employee turnover (recruiting, hiring and training costs).

Motion: Chairman Terrence Smith moved to support the conceptual bill from APCO as it is currently drafted, stating that he was renewing the Board's past support of this proposed legislation.

Second: Member Scott Moore

Vote: 3/0

- Senator Dave Lewis – Proposing a bill to require all new PERS hires to be covered in a DC Plan. In the bill he proposes an increase in employer contributions, employee contributions, both or one or the other.

Motion: Member Scott Moore moved to oppose the conceptual bill from Senator Dave Lewis as it is currently drafted. The basis of the objection is the proposed bill does nothing to address the unfunded liability of the defined benefit plan. Only a percentage of PERS members are in the DCRP. Close the current DBRP increases the funding issue.

Second: Member Bob Bugni

Vote: 3/0

- Senator Art Wittich – Proposing a bill to provide monetary incentives to public employees who voluntarily transfer to a DC Plan, provide a defined window for the option, future legislatures could reopen the window if successful. In the bill he wrote: “I am assuming that the incentive will need to be greater for longer term employees. This must make sense for both employee and the state. So most likely candidates will be shorter term employees. The only additional funding will go to the incentive payments, so increased cost to the DB Plan will have to come from employers. But this also makes their decision to include costs and benefits of staying in the DB Plan. Everyone needs to contribute to the fix.” He proposes additional funding to come from the General Fund.

Motion: Member Scott Moore moved to oppose the conceptual bill from Senator Art Wittich as it is currently drafted. The basis of the objection was two-fold. First, the proposed bill does nothing to address the unfunded liability of the defined benefit plan. Second, if “incentive” funds exist, they should be directed to the defined benefit plan.

Second: Chairman Terrence Smith

Vote: 3/0

Ms. Symons mentioned that on August 8th at 4:00 p.m. there is an agenda item to discuss whether or not the committee wants a committee bill to prohibit the introduction of legislation affecting the public pension plans without pre-session review by SAVA. It was recommended at this time not to take any action on this.

There is a panel presentation to discuss changing the membership of the TRS and PERB. This discussion is because of a comment made by Sheryl Wood at the last meeting. Ms. Symons will participate in this panel discussion. She pointed out that there are two at-large positions on the PERB; therefore, the Governor could fill those positions with employer representatives.

Motion: Chairman Terrence Smith moved to oppose Sheryl Wood's recommendation of changing the membership of the TRS and PERB and support the current PERB makeup. The Committee's rationale was the fiduciary responsibility of the Board; increasing size of Board increases expenses and decreases efficiency.

Second: Member Scott Moore

Vote: 3/0

- C. Contract Clause Issues & Employee Contribution Rates to TRS (Karl J. Englund, P.C. Memorandum to Eric Feaver)
Brief discussion took place regarding this agenda item. It was decided that no action would be taken at this time.
- D. Other Legislation Issues
There were no other issues discussed.

IV. Adjournment

There being no further business before the Legislative Committee, Chairman Terrence Smith adjourned the meeting at approximately 4:35 p.m.